

OGC Has Reviewed

29 OCT 1959

OGC 9-1645

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**MEMORANDUM FOR: Deputy Director of Central Intelligence**

**SUBJECT : Policy Guidance for Negotiations with the Civil Service Commission in Relationship to the Federal Employees Health Benefits Act of 1959**

1. This memorandum contains a recommendation for your approval. Such recommendation is contained in paragraph 7.

2. The GEHA Board of Directors, at its meeting of 26 October 1959, passed certain resolutions as guidance for GEHA and the Agency concerning forthcoming negotiations with the Civil Service Commission in order to establish the status of GEHA under the Federal Employees Health Benefits Act of 1959. The Agency established with the Congress and the Civil Service Commission through memoranda and personal discussions the desire to amend the original Senate Bill S. 2162 to include provision for an employee organization plan such as GEHA. The substance of the Agency proposal was incorporated in Public Law 86-382 which became law on 28 September 1959. The Agency is advising the Civil Service Commission of its desire to qualify GEHA under Section 4 (3), Employee Organization Plans. The Civil Service Commission has been previously informed of the security factors which govern the operation of the GEHA Program to protect the identity, location and activities of employees of the Agency. The Commission has also been informed that for these security reasons it is deemed necessary that the Agency internally administer the health insurance program. Responsible Commission officials have informally recognized Agency security interests and have indicated acceptance of the premise that the Agency expects to fully administer its own health benefits program.

3. In order that the Agency representatives negotiating with the Civil Service Commission will have appropriate guidance as to Agency-GEHA policy, the Board of Directors of GEHA has approved, subject to Agency approval, the following criteria.

a. Under authority of Section 4 (3), Employee Organization Plans, the Agency to obtain from the Commission approval to internally administer its GEHA hospitalization plan under the following conditions.

- (1) Continue our contract with Mutual of Omaha.
- (2) Maintain full internal administration of the GEHA Program, including collection of premium payments from the Government and the employee; the payment of all claims and control of premium payments to the carrier.
- (3) Maintain the records of all employee memberships in GEHA on the number basis without revelation of the identity of CIA employees to Omaha, the Civil Service Commission, or other insurance elements involved.
- (4) Authority for the Agency to conduct negotiations with Omaha for additional benefits under the Health Insurance Plan to bring the Plan into desired conformity with, or better than, the minimum Civil Service Commission standards. The contract plan will be subject to approval by the Commission.
- (5) Authority for the Agency to conduct negotiations with Mutual of Omaha for a Major Medical Program in conformity with, or better than, the minimum Civil Service Commission standards. The contract Plan will be subject to approval by the Commission.
- (6) Reports to the Civil Service Commission on the administration of the GEHA plan as may be required, to be as fully in conformity with Civil Service Commission requirements except that such reports shall not reveal, the number of or identity of employees of the Agency. Any required reports which may be revealing of Agency security interests are to be classified. Commission inspections and reports of the Agency administration of these plans should be conducted under the above principles.

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(7) In accordance with Agency security interests, the participation of Agency employees under the Federal Employees Health Benefits Act of 1959 should be limited, to the greatest degree possible, to the Agency controlled GEHA Program and employees should be discouraged from seeking to elect other programs as specified under the Act. It is expected that there will be some exceptions and provision for such exceptions should be made.

4. There are certain factors concerning the implementation of the Federal Employees Health Benefits Act of 1959 that will be dependant, to some degree, on standards and policies determined by the Commission for the administration of the insurance programs. These will probably be issued as minimum standards and in the case of employee organization plans, a certain latitude will be delegated. The application of these standards may be discussed in negotiations with the Commission and the opinion of the GEHA Board is set forth as a matter of guidance but not in the form of a requirement.

a. Eligibility of employees for insurance benefits. All employees entering on duty will be automatically eligible for enrollment in the insurance program for a period of 60 days after EOD. Present employees of the Agency who are not members of the GEHA Program will be eligible to enter the Program for a period of 60 days after 1 July 1960. Such employees may submit applications in the two months preceding 1 July 1960 when the Act becomes effective.

b. Eligibility of employees to drop and re-enter the Program regardless of health status. Employees who do not enter the insurance program during the "open period" of 60 days following 1 July 1960 should submit a health statement to enter the Program thereafter. This would apply to employees who drop membership in the health Program and seek to re-enter at a later date.

c. Employees Health Benefits Fund. The Act requires that portions of the contributions by employees and the Government shall be set aside in the Fund for (1) a percentage not to exceed 1% for administrative expenses and (2) a percentage not to exceed 3% for a contingency reserve. It would be beneficial to the

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operation of the GEHA Program to be able to retain the 3% for reserve and the 1% for administrative expenses rather than to contribute this to the Fund maintained by the Civil Service Commission. The Agency would then be relieved of some of the expenses of the administration of this Program and a contingency reserve could be established to be used in favorable or unfavorable insurance experiences under the Program. This would permit the Agency to maintain its own experience rating rather than becoming a part of and subject to the experience of the overall Government Program. It is believed that the Commission will see fit to grant the Agency approval to utilize these funds within the GEHA Program.

5. The Civil Service Commission has indicated it will have a minimum and maximum coverage plan from which employees may select that plan best suited to their need and financial position. The Board of Directors plans to prepare for approval a minimum and a maximum plan for the benefit of Agency employees.

6. Subsequent to negotiations with the Civil Service Commission and prior to 1 July 1960, certain administrative adjustments must necessarily be made within the Agency for payroll deductions, budgeting and other related matters. Such requirements will be coordinated with the appropriate elements of the Agency.

7. It is the recommendation of the GEHA Board of Directors that the above plan to be utilized for guidance in negotiating with the Civil Service Commission be approved.

SIGNED

  
Chairman, Board of Directors  
GEHA

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**SUBJECT: Policy Guidance for Negotiations with the  
Civil Service Commission in Relationship  
to the Federal Employees Health Benefits  
Act of 1959**

**CONCURRENCES:**

151 L. K. White  
Deputy Director (Support)

13 Nov 59  
Date

Lawrence R. Houston  
General Counsel

10 NOV 1959  
Date

[Redacted]  
Director of Personnel

10 NOV 1959  
Date

The recommendation in paragraph 7 is approved.

                      
Date

C. P. CABELL  
General, USAF  
Deputy Director of Central Intelligence

**Distribution:**

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\*Re para 3 a.(7): Recommend that this proposal be reconsidered after it is known precisely what security problems would arise, were the Agency to offer the Blue Cross plan to its employees.